

CITY COUNCIL REPORT

DATE: December 13, 2016

TO: Honorable Mayor and City Councilmembers

FROM: Gail Jackson, Business Attraction Manager

CC: Josh Copley, Barbara Goodrich, Shane Dille, Heidi Hansen,
Dave McIntire

SUBJECT: Business Accelerator Leasing Options

On December 6, staff provided Council information regarding potential leasing options to assist occupancy at the Business Accelerator. This report is to answer additional questions regarding the information presented.

DISCUSSION

How much space can be leased to tenants? There is 19,590 square feet of total leasable space at the Business Accelerator.

How much space is leased? Currently, there is 5,486 square feet leased to tenants.

How much space is left to be leased? There is 14,104 square feet available for lease.

Who are the current tenants? The current tenants of the building are as follows: War 2 Inc., Poba Medical, Senestech, Merrit Automation, WIT Insurance, Maka Digital and a co-working space.

What efforts has the City undertaken thus far to lease the vacant space? The City of Flagstaff has worked with NACET to create co-working space in an attempt to adapt to requests from entrepreneurs and increase occupancy at the Business Accelerator. Co-working is a shared work environment that often appeals to employees who work from home or are freelance contractors. The City of Flagstaff has also created and published a local advertising campaign to showcase companies that have been successful going through the NACET program. Business recruitment efforts have been made by attending tradeshow to attract companies in the target markets of digital products, manufacturing and biotech. City staff has also encouraged local groups to host their meetings at the Accelerator in an effort to generate income.

How much does the City spend to keep the enterprise afloat? Expenditures from the building since the beginning of the fiscal year (July 1, 2016 - December 12, 2016) including, but not limited to, maintenance, utilities, landscaping, rental agent and insurance, equate to \$32,673.66. This will be the first full fiscal year of operations so ongoing numbers are not available yet. Revenue received from paying tenants and conference room rental for the same dates are \$7,730.00. The excess of expenditures over revenues for the fiscal year to date is \$24,943.66. The pro-forma presented to Council anticipated it would take four years for the Accelerator to be leased at 80% which is the breakeven point for the building expenses. The breakeven point includes all operating expense as well as the debt repayment for the portion of the facility financed with local funds. The General Fund and/or the BBB Economic Development fund is used to backfill for expense until the building reaches the 80% occupancy level.

RECOMMENDATION / CONCLUSION

This report is for information only.